

~~CONFIDENTIAL~~
ATTACHMENT
(COMMENTS ON PROJ. 30.2043)

- p. 2 The paragraphs on the failure of the Soviet development model as applied to Communist China seem seriously overstated, to me. China's problems could be interpreted as the natural concomitants of rapid and "dedicated" economic growth.
- Yes
p. 3 Is there a "Marxist predilection for economizing labor" - look at Soviet agriculture, many parts of the Soviet iron and steel industry, and the Soviet RR system? What is the meaning of the phrase? If economizing labor means allocating it rationally and combining it with increasing amounts of other factors where appropriate, then the proposition is one of general economics not Marxian economics and applies to all factors of production, not just labor.
- Right
p. 3 "Soviet experience can provide little or no guidance in economic development to the underdeveloped countries of Asia...." - China's economic growth has been rapid and generally successful. The USSR started out in 1917 as a largely underdeveloped country.
- Yes
p. 6 Chinese leaders had been trained ideologically in the USSR, and had presumably discussed problems of alternate courses of economic development, as early as the 1920's.
- Yes
p. 15 [top] There's no justification for implying that the choice of self-sufficiency against the higher output provided by specialization is irrational.
- pp 15-16
The Soviet Union
- should be looking
- as to how to
- improve its
- production
Non-productive investment does not mean non-useful or dispensable; it means investment in facilities - like workers' housing - which is not directly employed in the production process. To transfer the construction of roads, bridges, schools, dormitories, banks, and post offices to other budgets doesn't mean a saving in real resources.
- Yes
p. 17 There's no justification for implying that the choice of inland sites which are more costly against coastal sites which are more vulnerable is irrational.

- point*
- p. 72 Discussion at bottom of page should be rephrased; as it stands now, it implies the Chinese are operating a market rather than a planned (command) economy; for instance, "effective demand" is a term for bourgeois analysis; sectors of a communist economy do not "absorb" part of output, they queue up at the ministry to get their gosplan quotas honored.
- OK*
- p. 74. Same as above - agriculture doesn't "place orders" - rather plans are made, revised, fulfilled, postponed, un-fulfilled, etc.
- yes*
- p. 75 "Considerable underutilization of capacity" in machine building for certain periods is completely compatible with rational economic planning. Partly involved is the "acceleration principle", which deals with the variation in rates of growth between an industry on the one hand and its capital-equipment supplier on the other.
- OK*
- p. 79 Shortages of skilled labor may arise because economic development is successful, not because it is poorly managed.
- Very good point*
- p. 86 The Soviet level of technology is not necessarily or everywhere "highly inappropriate" for China - question is, which level or levels of Soviet technology? in what industries (China can't produce precision military goods without precision tools)? With a view to what goals - self-sufficiency, Bloc comity, prestige, development of skilled labor force?
- yes*
- p. 87 Same as above. The US market factors - style, advertising, tremendous real resources - are not comparable to the factors in the Chinese command economy.
- has been previously discussed*
- pp. 88-93 "Implications for Communist Economic Theory" - This section considers the important general issue of the criteria of investment planning under a Soviet-type planned economy. I don't agree with some of the wording and nuances, but in any case the subject appears too broad to be covered satisfactorily in this report. I would suggest greatly reducing the discussion by confining it to issues that particularly concern the machine-building industry. The generally dim view taken of Chicom performance crops up here. Instead of saying the Chicom were ill-equipped with administrators and planners, the "optimist" would say, "Look what formidable tasks were mastered under primitive conditions, and consider what they'll be able to do with more experience."

~~CONFIDENTIAL~~

p. 92

dyt The last sentence - "However, in China there is no point in effecting savings of labor value from the standpoint of conserving manpower" - is incautious.

~~CONFIDENTIAL~~